Critics: Legalization will lead to job losses

By Christopher Rowland, Globe Staff | September 23, 2004

Opponents of importing prescription drugs from Canada are introducing a new argument to the debate with studies that say it would wipe out thousands of jobs in states like Massachusetts that depend on pharmaceutical and biotechnology research.

Making it legal for Americans to import low-cost prescriptions would cost Massachusetts 3,957 jobs and $246.9 million in lost economic activity by 2010, according to a study released yesterday that was conducted by Suffolk University's Beacon Hill Institute and the conservative Institute for Policy Innovation.

A University of Michigan study this week that was sponsored by Pfizer Inc. said Michigan would get socked with job losses of 20,000 to 133,000 over the next decade, corresponding with overall declines in pharmaceutical research and development of 25 to 75 percent. Losses in personal income would range from $6 billion to $35 billion, the Michigan study said. Michigan is a hub of importation because it borders Canada.

"This is moving into a jobs and growth issue," said Merrill Matthews, resident scholar at the Texas-based Institute for Policy Innovation, which was founded in 1987 by former House Republican Majority Leader Dick Armey.

The Massachusetts Biotechnology Council quickly seized on the studies as evidence that prescription imports are a bad idea.

"The Beacon Hill Institute report confirms what we in the biotechnology industry have been saying all along: that price controls and price control mechanisms like drug importation will reduce the flow of new medicines and the jobs that create them," said Mark Trusheim, Mass Bio's interim president.

But those economic scenarios were dismissed by prominent backers of prescription imports, including Boston Mayor Thomas M. Menino, who launched a pilot importation program for city workers in July.

"What they are trying to do is cover up for the cost of prescription drugs in America," Menino said in a telephone interview. "US consumers end up subsidizing research for drugs all over the world."

Alan Sager, a Boston University healthcare researcher who has said lower prices will increase drug companies' volume sales, also criticized the reports.

"They've got the imagination of Stephen King when it comes to conjuring up horror stories," said. "They assume there will be less research. That may be entirely false."

The Beacon Hill Institute study did not focus on the benefit of lower prices for consumers. The Michigan study said Michigan consumers would save $12 billion if prices were reduced by one-third and $19 billion if they were reduced by one half.

After Americans first began importing drugs from Canada, where government price controls result in 20 to 80 percent savings on medicines that are the same or virtually identical to US medicines, the drug industry and the Food and Drug Administration warned consumers of counterfeit and potentially dangerous drugs. Later, industry warned that the resulting losses in profits would prompt drug companies to scale back research into new medicines.

Polls have shown that those arguments have had little effect on consumers, and the idea of cheap imports remains overwhelmingly popular. Although bills to legalize the imports remain stalled in the Senate, the issue continues to pick up steam among state and local governments. Montgomery County, Md., home of the FDA headquarters, endorsed Canadian imports this week.

But opponents say voters and political leaders need to consider the potential economic impacts of imports, as well as the potential for government price controls. The Beacon Hill Institute study assumed that drug price...
increases would be held to the rate of inflation, instead of rising at the current average of 6 percent a year.

The resulting loss in revenue would prompt drug companies, among the most profitable enterprises in the world, to abandon research into 262 drugs over the next 12 years, according to the study. In Massachusetts, where 10 percent of the nation's pharmaceutical and biotech research dollars are spent, the impact would be the loss of 1,881 research jobs and 2,076 additional jobs with the resulting ripple effect through the economy, the study said.

Direct losses in research spending would be $179 million, with an additional $68 million in related losses, according to the study. Although that is a small fraction in an economy with annual gross state product of $283 billion, it would hurt the state's prestige, said John Barrett, director of research at the Beacon Hill Institute.

"It's a psychological blow," he said.

Christopher Rowland can be reached at crowland@globe.com. ♦

© Copyright 2004 The New York Times Company